

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF HAWAII

In the Matter of

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate
Implementing a Decoupling Mechanism for
Hawaiian Electric Company, Inc., Hawaii
Electric Light Company, Inc., and Maui
Electric Company, Limited

DOCKET NO. 2008-0274

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**BLUE PLANET FOUNDATION'S RESPONSE TO APPENDIX 2 TO THE
SCOPING PAPER SUBMITTED BY THE STATE OF HAWAII PUBLIC
UTILITIES COMMISSION, "DECOUPLING UTILITY PROFITS FROM
SALES: DESIGN ISSUES AND OPTIONS FOR THE HAWAII PUBLIC
UTILITIES COMMISSION" (NATIONAL REGULATORY RESEARCH
INSTITUTE, JANUARY 2009)**

AND

CERTIFICATE OF SERVICE

SCHLACK ITO LOCKWOOD PIPER & ELKIND
Douglas A. Codiga, Esq.
Topa Financial Center
745 Fort Street, Suite 1500
Honolulu, Hawaii 96813
Tel. (808) 523-6047

Attorney for Blue Planet Foundation

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Blue Planet Foundation ("Blue Planet"), by and through its attorneys Schlack Ito
Lockwood Piper & Elkind, hereby submits its response to Appendix 2 to the Scoping Paper
submitted by the State of Hawaii Public Utilities Commission ("Commission") titled,
"Decoupling Utility Profits from Sales: Design Issues and Options for the Hawaii Public
Utilities Commission" (National Regulatory Research Institute, January 2009) ("Scoping
Paper").

As these responses are provided at a relatively early stage in this proceeding, they
are necessarily preliminary and subject to future revision or modification based upon further
discovery and additional facts and information. Blue Planet accordingly reserves the right to
supplement, revise and/or modify positions taken and/or the substance of its responses below in
the course of this proceeding.

I. RESPONSE TO APPENDIX 2, "QUESTIONS FOR THE PARTIES"

In general, for purposes of its response to all of the Scoping Paper Appendix 2 Questions, Blue Planet generally agrees with and supports the approach and views expressed by Haiku Design and Analysis ("HDA") in its response to the questions served on Blue Planet on February 19, 2009¹ ("HDA Response").

A. Response to Questions 1, 2, 2.1 to 2.9, and 4.

Blue Planet responds to Appendix 2 Questions 1, 2, 2.1 to 2.9, and 4 as follows:

- 1. Why do electric utilities need decoupling at this time? Please address decoupling needs created by the utility's rate design and Hawaii's emphasis on electricity strategies that would reduce utility sales. If possible, quantify the need.**

RESPONSE:

Decoupling is required for the HECO Companies² at this time based upon their express agreement to adopt decoupling set forth in the Energy Agreement³ and by Hawaii energy law and policy concerning the need to encourage Hawaii's swift transition to energy independence and to mitigate climate change impacts in Hawaii.

As the parties to this proceeding are well aware, the primary goal of the Energy Agreement is for the State of Hawaii to "move decisively and irreversibly away from imported fossil fuel for electricity and transportation and towards indigenously produced renewable energy and an ethic of energy efficiency." Accordingly, pursuant to section 28 of the Energy

¹ "Haiku Design and Analysis Responses to the National Regulatory Research Institute Paper Appendix 2 Questions for the Parties" dated Feb. 19, 2009.

² Hawaiian Electric Company, Inc.; Maui Electric Company, Limited; and Hawaii Electric Light Company, Inc.

³ "Energy Agreement Among the State of Hawaii, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies" dated Oct. 20, 2008 ("Energy Agreement").

Agreement, “Decoupling,” the HECO Companies and other parties⁴ “agree in principle that it is appropriate to adopt a decoupling mechanism[.]”⁵ *Id.* at 32-33.

Decoupling is consistent with the significant number of Hawaii’s energy-related statutes that require and promote energy efficiency and the adoption of renewable and alternative energy.⁶ Decoupling also addresses the negative economic and public health and safety consequences associated with Hawaii’s dependence on imported fossil fuel. For example, the State Legislature has found that:

The global demand for petroleum and its derivatives has caused severe economic hardships throughout the State and threatens to impair the public health, safety and welfare. The State of Hawaii, with its total dependence on imported fossil fuel, is particularly vulnerable to dislocations in the global energy market.

Haw. Rev. Stat. § 196-1(1) (emphasis added); *see also* 2008 Haw. Sess. Laws, Act 208 at § 1

(Hawaii’s “high petroleum dependence makes consumers extremely vulnerable to any oil embargo, supply disruption, international market dysfunction, and many other factors beyond

⁴ The HECO Companies are a signatory to the Energy Agreement, along with the State of Hawaii Department of Commerce and Consumer Affairs Division of Consumer Advocacy (“Consumer Advocate”), Governor of the State of Hawaii, State of Hawaii Department of Business, Economic Development and Tourism, U.S. Department of Energy, and Hawaii Renewable Energy Development Venture.

⁵ Although Energy Agreement § 28 also calls for specific design features of the decoupling mechanism, Blue Planet submits that the Commission may adopt a decoupling mechanism that deviates from the Energy Agreement in that regard. Indeed, issue no. 3 in the Commission’s Procedural Order in this proceeding is, “What should be the scope of and elements to be included in the decoupling mechanism?” *See* Exhibit 1 to the “Order Approving, With Modifications, Stipulated Procedural Order Filed on December 26, 2008” at 3. Given the nature of the HECO Companies’ overarching commitment in the Energy Agreement to “move decisively and irreversibly away from imported fossil fuel for electricity and transportation and towards indigenously produced renewable energy and an ethic of energy efficiency,” however, no such deviation from the basic commitment to adopt a decoupling mechanism should be permitted.

⁶ *See, e.g.*, Haw. Rev. Stat. § 46-19 (counties may participate in the development of alternative energy resources); Haw. Rev. Stat. § 46-19.4 (agencies shall provide priority handling and processing of county permits required for renewable energy projects); Haw. Rev. Stat. § 196-1 (finding an immediate need to formulate plans for the development and use of alternative energy sources); Haw. Rev. Stat. § 196-1.5 (agencies shall provide priority handling and processing of state permits required for renewable energy projects); Haw. Rev. Stat. § 196-41 (State of Hawaii Department of Land and Natural Resources and Department of Business, Economic Development and Tourism shall facilitate the private sector’s development of renewable energy projects); Haw. Rev. Stat. § 201-12 (DBEDT shall develop a state program for the efficient development of new or alternative sources of energy); Haw. Rev. Stat. 201-12.5 (establishing within DBEDT the position of renewable energy coordinator to facilitate renewable energy development); Haw. Rev. Stat. ch. 201N (establishing a renewable energy facility siting process); Haw. Rev. Stat. § 269-27.2 (promoting utilization of electricity generated from nonfossil fuels); and Haw. Rev. Stat. ch. 269 Parts V and VI (establishing renewable portfolio standards and net energy metering).

Hawaii's control"). For these economic and environmental reasons, the HECO Companies must undertake decoupling at this time.

* * *

2. Please propose a preferred decoupling methodology and in doing so, please answer these questions.

At this time, Blue Planet is not prepared to independently propose a specific decoupling methodology. As noted above, for purposes of this response Blue Planet generally agrees with and supports the approach and views contained in the HDA Response, including the "HDA Example Decoupling Mechanism" described on pages 6-10 of the HDA Response. Blue Planet respectfully reserves the right to support or propose a different preferred decoupling methodology in the course of this proceeding.

In general, Blue Planet favors a decoupling mechanism with the following attributes: (1) effectively decouples the utility from all factors that affect sales levels; (2) relatively non-complex design; (3) administration is not unduly burdensome or costly; (4) revenue-neutral mechanism that does not provide additional revenues to the utility; (5) risk of gaming is minimized to the extent possible; and (6) not intended to provide a financial incentive or reward for the HECO Companies to fulfill their basic obligations under the Energy Agreement.

- 2.1. Should the decoupling process decouple the utility's earnings (or revenues) from the effects of changes in weather, economic upturns/downturns, taxes, costs of financing, the utility's credit rating or other external variables? How are the sales impacts of efficiency programs segregated from these factors, and how does the commission monitor these factors going forward?**

RESPONSE:

Blue Planet favors a mechanism that effectively decouples the utility from all factors that affect sales levels.

- 2.2. Does decoupling that ensures a utility's earnings associated with lost sales create a disincentive for utilities to manage these costs effectively or to invest in capital projects rather than purchase energy or other services?**

RESPONSE:

Insofar as Blue Planet generally agrees with and supports the HDA Example Decoupling Mechanism, Blue Planet supports HDA's response to this question.

- 2.3. Does it eliminate the utility's bias against reduced sales?**

RESPONSE:

Insofar as Blue Planet generally agrees with and supports the HDA Example Decoupling Mechanism, Blue Planet supports HDA's response to this question.

- 2.4. Does it accurately decouple sales and earnings (i.e., reinstate authorized earnings associated with lost sales)? Please provide supporting examples and calculations that address how lost earnings are calculated.**

RESPONSE:

Insofar as Blue Planet generally agrees with and supports the HDA Example Decoupling Mechanism, Blue Planet supports HDA's response to this question.

- 2.5. Does it encourage customers to be energy efficient?**

RESPONSE:

Insofar as Blue Planet generally agrees with and supports the HDA Example Decoupling Mechanism, Blue Planet supports HDA's response to this question.

- 2.6. Is it easy to understand?**

RESPONSE:

Insofar as Blue Planet generally agrees with and supports the HDA Example Decoupling Mechanism, Blue Planet supports HDA's response to this question.

- 2.7. Are Hawaii's electric utilities' existing metering and customer service systems adequate to support decoupling? If no, recommend enhancements.**

RESPONSE:

Insofar as Blue Planet generally agrees with and supports the HDA Example Decoupling Mechanism, Blue Planet supports HDA's response to this question.

- 2.8. Is it easy to administer (monitoring, audits, hearings, reconciliation)? Estimate the administrative costs including regulatory costs.**

RESPONSE:

Insofar as Blue Planet generally agrees with and supports the HDA Example Decoupling Mechanism, Blue Planet supports HDA's response to this question.

- 2.9. If the proposed method herein is different from the method proposed by the Agreement, why is it superior?**

RESPONSE:

Insofar as Blue Planet generally agrees with and supports the HDA Example Decoupling Mechanism, Blue Planet supports HDA's response to this question.

* * *

- 4. What level of specificity is required on a customer's bill to support a decoupling adjustment (e.g., if allocated by rate component, should there be a line item for each part of the decoupling adjustment on the bill)?**

RESPONSE:

Blue Planet is a public interest organization dedicated to the adoption of alternative and renewable energy sources to encourage Hawaii's swift transition to a clean

energy economy, promote Hawaii as a global leader in renewable energy, and mitigate climate change impacts in Hawaii. Blue Planet strongly believes that widespread public awareness and participation is beneficial and necessary to achieve these goals, and toward that end engages in education and outreach. Accordingly, Blue Planet favors a level of specificity on a customer's bill that (i) is simple, clear and easy for the customer to understand, (ii) directly or indirectly communicates to the customer the energy conservation benefits associated with decoupling, and (iii) otherwise supports the energy policy goals of the Energy Agreement.

B. Response to Questions 3 and 5 to 12 (including sub-parts).

Blue Planet respectfully reserves the right to comment on the general issues raised by questions 3 and 5 to 12 (including sub-parts) in the course of this proceeding.

DATED: Honolulu, Hawaii, February 20, 2009.



DOUGLAS A. CODIGA
Attorney for Blue Planet Foundation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this date a copy of the foregoing document was duly served upon the following individuals by placing a copy of same in the United States Mail, postage prepaid, and/or by electronic service, as follows:

Public Utilities Commission
465 South King Street, First Floor
Honolulu, Hawaii 96813

Original plus 8 Copies

Catherine P. Awakuni
Executive Director
Division of Consumer Advocacy
335 Merchant Street, Room 326
Honolulu, Hawaii 96813

2 Copies by U.S. Mail and
Electronic Service

Dean K. Matsuura
Manager, Regulatory Affairs
Hawaiian Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Ltd.
P. O. Box 2750
Honolulu, Hawaii 96840-0001

Electronic Service

Jay Ignacio
President
Hawaii Electric Light Company, Inc.
P. O. Box 1027
Hilo, Hawaii 96721-1027

Electronic Service

Edward L. Reinhardt
President
Maui Electric Company, Limited
P. O. Box 398
Kahului, Hawaii 96733-6898

Electronic Service

Thomas W. Williams, Jr., Esq.
Peter Y. Kikuta, Esq.
Damon Schmidt, Esq.
Goodsill Anderson Quinn Stifel LLC
1099 Alakea Street, Suite 1800
Honolulu, Hawaii 96813

Electronic Service

Attorneys for Hawaiian Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Ltd.

Randall J. Hee, P.E.
President and CEO
Kauai Island Utility Cooperative
4463 Pahe'e Street, Suite 1
Lihui, Hawaii 96766-2000

Electronic Service

Timothy Blume
Michael Yamane
Kauai Island Utility Cooperative
4463 Pahe'e Street, Suite 1
Lihue, Hawaii 96766-2000

Electronic Service

Kent T. Morihara, Esq.
Kris N. Nakagawa, Esq.
Rhonda L. Ching, Esq.
Morihara Lau & Fong LLP
841 Bishop Street, Suite 400
Honolulu, Hawaii 96813

Electronic Service

Attorneys for Kauai Island Utility Cooperative

Warren S. Bollmeier, II
President
Hawaii Renewable Energy Alliance
46-040 Konane Place 3816
Kaneohe, Hawaii 96744

Electronic Service

Carl Freedman
Haiku Design & Analysis
4234 Hana Highway
Haiku, Hawaii 96708

Electronic Service

Gerald A. Sumida, Esq.
Tim Lui-Kwan, Esq.
Nathan C. Smith, Esq.
Carlsmith Ball LLP
ASB Tower, Suite 2200
1001 Bishop Street
Honolulu, Hawaii 96813

Electronic Service

Attorneys for Hawaii Holdings, LLC,
dba First Wind Hawaii

Mike Gresham
Hawaii Holdings, LLC, dba First Wind Hawaii
3 Lono Avenue, Suite 380
Kahului, Hawaii 96732

Electronic Service

Deborah Day Emerson, Esq.
Gregg J. Kinkley, Esq.
Deputy Attorney General
Department of the Attorney General
State of Hawaii
425 Queen Street
Honolulu, Hawaii 96813

Electronic Service

Attorneys for the Department of Business,
Economic Development, and Tourism

Mark Duda
President
Hawaii Solar Energy Association
P. O. Box 37070
Honolulu, Hawaii 96837

Electronic Service

DATED: Honolulu, Hawaii, February 20, 2009.



DOUGLAS A. CODIGA
Attorney for Blue Planet Foundation